

Docket No.: 00-0439 and 01-0379 (Cons.)
Bench Date: 03-12-03
Deadline: N/A

MEMORANDUM

TO: The Commission

FROM: Larry Jones, Administrative Law Judge

DATE: February 27, 2003

SUBJECT: Illinois Commerce Commission
On Its Own Motion
-vs-
Illinois Power Company ("IP")

Reconciliation of revenues collected under Coal Tar riders with prudent costs associated with coal tar clean-up expenditures.

RECOMMENDATION: Entry of the attached draft order approving the proposed reconciliations for the two years in question.

These consolidated proceedings involve a reconciliation of rider revenues and insurance recoveries with costs incurred by IP in investigating and remediating IP's 25 former manufactured gas plants ("MGPs"), for the 1999 and 2000 reconciliation periods.

IP's witnesses described the investigation and remediation activities at each site for the reconciliation years, and the costs incurred in connection therewith. In 2000, the Company conducted remediation activities relating to the Belleville, Cairo, Carlinville, Centralia, Champaign, Danville, Decatur, East St. Louis, Granite City, Greenville, and Litchfield sites.

As of December 31, 2000, the Company's cumulative MGP costs incurred since the inception of its Riders totaled \$23,637,264 for all periods. As of December 31, 2000, cumulative revenue recoveries from ratepayers since the inception of the Riders were \$10,479,150, and cumulative insurance recoveries applied to MGP costs were \$13,176,239, totaling \$23,655,389 in cumulative recoveries. The cumulative over-recovery of \$18,125 as of December 31, 2000 was carried forward into 2001.

IP witnesses also testified that the company's MGP investigation and remediation program is conducted pursuant to Illinois Environmental Protection Agency oversight and approval.

As part of their analysis, Staff witnesses reviewed the prudence of the costs incurred by IP for each of the reconciliation years. Among other things, they examined information obtained through data requests regarding the need for and reasonableness of IP's MGP remediation activities and expenditures. In performing this review, Staff applied the prudence standards enumerated in the Commission's Order of September 30, 1992 in Docket Nos. 91-0080 through 91-0095 at 78-81. For the reconciliation years in question, Staff witnesses found no indication that the MGP remediation costs incurred by IP failed to meet those standards of prudence.

The attached draft order would approve the reconciliations for the two calendar years in question.

LMJ/js